

Listing of Claims

1. (Currently Amended) An apparatus allowing for tax-optimized, managed investment portfolios, comprising:

an investor account database storing, on a database server, account data for a plurality of financial portfolios wherein the assets of each financial portfolio ~~are have been previously allocated to~~ according to at least one investment style;

a computer-executable data pre-processor software module operating on a server for receiving (i) historical transactions associated with each financial portfolio, and (ii) proposed ~~transactions trades~~ comprising possible adjustments to a plurality of existing positions held in each financial portfolio based on the at least one investment style; and

a computer-executable portfolio optimizer module operating on a server and configured to optimize after-tax returns for each financial portfolio, factoring in risk, return, short term capital gains, short term capital losses, long term capital gains and long term capital losses associated with execution of each of the plurality of possible ~~adjustments trades, the investment styles, and the historical transactions associated with~~ each financial portfolio.

2. (Previously Presented) The apparatus of claim 1 wherein the investment style represents a model portfolio.

3. (Previously Presented) The apparatus of claim 1 wherein the investment style allows for creation of a model portfolio.

4. (Original) The apparatus of claim 2 wherein the model portfolio data comprises a plurality of securities and their respective weights.

5. (Previously Presented) The apparatus of claim 2 wherein the portfolio optimizer is further configured to minimize tracking error from the model portfolios of the at least one investment style associated with the financial portfolio, balancing tracking error, tax costs, and transaction costs.

6. (Previously Presented) The apparatus of claim 1 wherein the portfolio optimizer is further configured to model a tax code applicable to the client associated with each financial portfolio.

7. (Currently Amended) The apparatus of claim 6 wherein the portfolio optimizer is further configured to provide incremental tax costs resulting from the proposed trades transactions.

8. (Currently Amended) An apparatus allowing for tax-optimized, managed investment portfolios, the apparatus comprising:

an investor account database storing account data for a plurality of financial portfolios on a database server wherein the assets of each financial portfolio ~~are have been previously~~ allocated between at least two asset classes and wherein each asset class has associated therewith at least one investment style, each investment style representing a model portfolio;

a processor, configured to execute software implementations of:

a data pre-processor module for receiving (i) historical transactions associated with each financial portfolio, and (ii) proposed ~~transactions trades~~ comprising possible adjustments to a plurality of existing positions held in each financial portfolio generated to mirror the model portfolios; and

a portfolio optimizer module ~~operating as software on a hardware platform and~~ configured to optimize a financial portfolio across the at least two asset classes for after-tax returns, factoring in risk, return, short term capital gains, short term capital losses, long term capital gains and long term capital losses, based on each of the plurality of possible ~~adjustments trades, the investment styles,~~ and the historical transactions associated with each financial portfolio.

9. (Currently Amended) The apparatus of claim 8 wherein the portfolio optimizer is further configured to minimize tracking error from the model portfolios of the investment

styles associated with the financial portfolio, balancing tracking error, tax costs, and transaction costs associated with the proposed trades.

10. (Previously Presented) The apparatus of claim 8 wherein the portfolio optimizer is further configured to minimize tracking error from the model portfolios of the investment styles associated with the financial portfolio, balancing tracking error, tax costs and tax preferences corresponding to the financial portfolio.

11. (Original) The apparatus of claim 8 wherein the model portfolio data comprises a plurality of securities and their respective weights.

12. (Previously Presented) The apparatus of claim 8 wherein the investor account database further stores portfolio optimization settings in association with corresponding financial portfolios, and wherein the portfolio optimizer further considers the portfolio optimization settings when optimizing the financial portfolio.

13. (Previously Presented) The apparatus of claim 8 wherein the investor account database further stores client preference data in association with corresponding financial portfolios, and wherein the portfolio optimizer is further considers the client preference data when optimizing the financial portfolio.

14. (Withdrawn) The apparatus of claim 13 wherein the portfolio optimizer is operative to screen the model portfolio data for restricted securities identified in the client preference data.

15. (Withdrawn) The apparatus of claim 14 wherein the portfolio optimizer is operative to replace restricted securities with an alternate security.

16. (Withdrawn) The apparatus of claim 15 wherein the alternate security is the most similar security to the restricted security in relation to tracking error relative to the model portfolio and excess return associated with the restricted security.

17. (Withdrawn) The apparatus of claim 8 wherein the portfolio optimizer is operative to identify and prevent wash sales within the financial portfolio.

18. (Withdrawn) The apparatus of claim 8 wherein the portfolio optimizer is operative to receive external transactions data relating to financial events external to the financial portfolio, and wherein the portfolio optimizer is operative to identify and prevent wash sales resulting from optimization, across the financial portfolio and identified external transactions.

19. (Previously Presented) The apparatus of claim 8 wherein the portfolio optimizer is further configured to receive data relating to financial events external to the financial portfolio, and wherein the portfolio optimizer integrates the external transactions data into the optimization of the financial portfolio.

20. (Withdrawn) The apparatus of claim 8 wherein the portfolio optimizer is operative to calculate an optimal solution for achieving a requested withdrawal from the financial portfolio.

21. (Withdrawn) The apparatus of claim 8 wherein the portfolio optimizer is operative to calculate an optimal solution for integrating a contribution to the financial portfolio.

22. (Withdrawn) The apparatus of claim 8 wherein the portfolio optimizer is operative to constrain the optimization to a targeted asset allocation range.

23. (Withdrawn) The apparatus of claim 8 wherein the portfolio optimizer is operative to constrain the allocations between investment style managers within an asset class.

24. (Withdrawn) The apparatus of claim 8 further comprising an investment style data processor operative to receive investment style data from a plurality of investment style managers, the investment style managers submitting investment style data associated

with varying degrees of participation; and wherein the investment style data processor is operative to process the investment style data to provide a uniform set of inputs to the portfolio optimizer.

25. (Previously Presented) The apparatus of claim 8 further comprising an integration server to transmit calculated adjustments for a financial portfolio to an accounting system for trade execution.

26. (Cancelled) A method facilitating the maintenance of tax-optimized, investment portfolios, the method comprising the steps of

receiving investment style data representative of a plurality of investment styles;
receiving account data relating to a financial portfolio, wherein the assets of the financial portfolio are allocated to at least one of the plurality of investment styles;

receiving (i) historical transactions associated with each financial portfolio, and (ii) proposed transactions comprising possible adjustments to a plurality of positions held in each financial portfolio and based on the at least one investment style data; and

optimizing the financial portfolio for after-tax returns, balancing risk, return short term capital gains, short term capital losses, long term capital gains and long term capital losses, based on each of the plurality of possible adjustments and the historical transactions associated with each financial portfolio.

27. (Cancelled) The method of claim 26 wherein the investment style data for each investment style represents a model portfolio.

28. (Cancelled) The method of claim 27 wherein the optimizing step further comprises minimizing tracking error from the model portfolios of the investment styles associated with the financial portfolio.

29. (Withdrawn) The method of claim 26 further comprising the step of before the optimizing step, processing the investment style and account data to screen for restricted securities.

30. (Withdrawn) The method of claim 29 further comprising the step of selecting an alternate security for any restricted security associated with a model portfolio found in the processing step.

31. (Withdrawn) The method of claim 30 wherein the alternate security is the most similar security to the restricted security in relation to tracking error relative to the model portfolio and excess return associated with the restricted security.

32. (Withdrawn) The method of claim 26 further comprising the step of processing the investment style and account data to screen for potential wash sales.

33. (Withdrawn) The method of claim 32 further comprising the step of applying a constraint mechanism to any security associated with a potential wash sale to eliminate the potential for a wash sale.

34. (Cancelled) The method of claim 26 further comprising incorporating data relating to financial events outside the financial portfolio when calculating the net tax position of the client associated with the financial portfolio.

35. (Cancelled) A method facilitating the management of tax-optimized financial portfolios allocated between at least two investment styles, the method comprising the steps of:

maintaining a financial portfolio, wherein the assets of the financial portfolio are allocated to at least two investment styles each having a model portfolio associated therewith;

receiving (i) historical transactions associated with the financial portfolio, and (ii) proposed transactions comprising possible adjustments to a plurality of positions held in each financial portfolio and generated to mirror the model portfolios; and

calculating adjustments to the financial portfolio, balancing risk, return, short

term capital gains, short term capital losses, long term capital gains and long term capital losses based on each of the plurality of possible adjustments while minimizing tracking error from the model portfolios.

36. (Currently Amended) The apparatus of claim 1 wherein the portfolio optimizer is further configured to optimize allocations of the proposed trades within each financial portfolio by constructing and solving a mathematical representation of an objective function bound by constraints, wherein the constraints represent the account data associated with each investment portfolio.

37. (Currently Amended) The apparatus of claim 1 wherein the portfolio optimizer is further configured to modify the proposed ~~transactions~~ trades based on the optimized allocations.

38. (Currently Amended) The apparatus of claim 8 wherein the portfolio optimizer is further configured to optimize allocations of the proposed trades within each financial portfolio by constructing and solving a mathematical representation of an objective function bound by constraints, wherein the constraints represent account data associated with each investment portfolio.

39. (Cancelled) The method of claim 26 wherein optimization of the financial portfolio further comprises constructing and solving a mathematical representation of an objective function bound by constraints, wherein the constraints represent the account data associated with each investment portfolio.

40. (Cancelled) The method of claim 35 wherein the adjustments to the financial portfolio comprises constructing and solving a mathematical representation of an objective function bound by constraints, wherein the constraints represent account data associated with each investment portfolio.